
HOUSE BILL 2206

State of Washington

57th Legislature

2001 Regular Session

By Representatives Murray, Hankins, Delvin, Ogden, Fromhold, Lovick and Edmonds; by request of Governor Locke, Department of Community, Trade, and Economic Development and Public Works Board

Read first time 02/27/2001. Referred to Committee on Capital Budget.

1 AN ACT Relating to state general obligation bonds and related
2 accounts; amending RCW 39.42.060, 43.84.092, and 43.84.092; adding a
3 new chapter to Title 43 RCW; providing an effective date; and providing
4 an expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that there are several
7 billion dollars worth of critical local government projects for the
8 planning, acquisition, construction, repair, replacement,
9 rehabilitation, or improvement of bridges, streets and roads, domestic
10 water systems, sanitary sewer systems, storm water systems, solid
11 waste/recycling systems, and adult and juvenile correction and
12 detention facilities that are not funded. It is the policy of the
13 state of Washington to assist in financing critical public works at the
14 local level by making loans, financing guarantees, and providing
15 technical assistance to local government for these projects.

16 There are approximately seven hundred fifty million dollars of
17 outstanding infrastructure loans to local governments executed under
18 chapter 43.155 RCW that will be repaid over the next several decades
19 with interest. Those repayments will be used to originate new loans.

1 It is the intent of the legislature to facilitate and accelerate the
2 recycling and reloaning of these loan repayments by authorizing the
3 issuance of bonds to be repaid from these funds. It is also the intent
4 of the legislature that these bonds not be subject to the debt limit
5 under RCW 39.42.060.

6 NEW SECTION. **Sec. 2.** The state finance committee is authorized to
7 issue general obligation bonds of the state of Washington in an amount
8 sufficient to provide net proceeds of six hundred million dollars to be
9 used as loans under chapter 43.155 RCW and to pay all costs necessary
10 to issue such bonds. Bonds authorized in this section may be sold in
11 one or more series and at such prices and with such terms and
12 conditions as the state finance committee determines. No bonds
13 authorized in this section may be offered for sale without prior
14 legislative appropriation of the net proceeds of the sale of the bonds.

15 NEW SECTION. **Sec. 3.** The public works bond proceeds account is
16 created in the state treasury. All receipts from the sale of bonds
17 sold under section 2 of this act must be deposited into the account.
18 Moneys in the account may be spent only after appropriation.
19 Expenditures from the account may be used only for making loans under
20 chapter 43.155 RCW and paying expenses incurred in the issuance and
21 sale of the bonds authorized in section 2 of this act.

22 NEW SECTION. **Sec. 4.** (1) The nondebt-limit reimbursable bond
23 retirement account is created in the state treasury. The nondebt-limit
24 reimbursable bond retirement account shall be used for the payment of
25 the principal of and interest on the bonds authorized in section 2 of
26 this act.

27 (2) The state finance committee shall, on or before June 30th of
28 each year, notify the department of community, trade, and economic
29 development of the amount needed in the ensuing twelve months to meet
30 the bond retirement and interest requirements on the bonds issued under
31 section 2 of this act. The department of community, trade, and
32 economic development shall ensure that the amount determined by the
33 state finance committee as required for debt service in the ensuing
34 twelve months is retained in the public works assistance account until
35 the state treasurer transfers the funds into the nondebt-limit

1 reimbursable bond retirement account pursuant to subsection (4) of this
2 section.

3 (3) The state finance committee shall, on or before June 30th of
4 each year, certify to the state treasurer the amount needed in the
5 ensuing twelve months to meet the bond retirement and interest
6 requirements on the bonds issued under section 2 of this act.

7 (4) On each date on which any interest or principal and interest
8 payment is due on bonds issued under section 2 of this act, the state
9 treasurer shall transfer from the public works assistance account for
10 deposit into the nondebt-limit reimbursable bond retirement account,
11 the amount computed pursuant to subsection (3) of this section.

12 (5) Each year, the department of community, trade, and economic
13 development shall report to the treasurer: (a) The identity of the
14 recipients of the loans generated from the proceeds of bonds issued
15 under section 2 of this act; and (b) if there are any delinquencies in
16 the repayment of such loans.

17 NEW SECTION. **Sec. 5.** (1) Bonds issued under section 2 of this act
18 shall state that they are a general obligation of the state of
19 Washington, shall pledge the full faith and credit of the state to the
20 payment of the principal thereof and the interest thereon, and shall
21 contain an unconditional promise to pay the principal and interest as
22 the same shall become due.

23 (2) The owner and holder of each of the bonds or the trustee for
24 the owner and holder of any of the bonds may by mandamus or other
25 appropriate proceeding require the transfer and payment of funds as
26 directed in this section.

27 NEW SECTION. **Sec. 6.** The bonds authorized in section 2 of this
28 act are a legal investment for all state funds or funds under state
29 control and for all funds of any other public body.

30 **Sec. 7.** RCW 39.42.060 and 1999 c 273 s 9 are each amended to read
31 as follows:

32 No bonds, notes, or other evidences of indebtedness for borrowed
33 money shall be issued by the state which will cause the aggregate debt
34 contracted by the state to exceed that amount for which payments of
35 principal and interest in any fiscal year would require the state to
36 expend more than seven percent of the arithmetic mean of its general

1 state revenues, as defined in section 1(c) of Article VIII of the
2 Washington state Constitution for the three immediately preceding
3 fiscal years as certified by the treasurer in accordance with RCW
4 39.42.070. It shall be the duty of the state finance committee to
5 compute annually the amount required to pay principal of and interest
6 on outstanding debt. In making such computation, the state finance
7 committee shall include all borrowed money represented by bonds, notes,
8 or other evidences of indebtedness which are secured by the full faith
9 and credit of the state or are required to be paid, directly or
10 indirectly, from general state revenues and which are incurred by the
11 state, any department, authority, public corporation or quasi public
12 corporation of the state, any state university or college, or any other
13 public agency created by the state but not by counties, cities, towns,
14 school districts, or other municipal corporations, and shall include
15 debt incurred pursuant to section 3 of Article VIII of the Washington
16 state Constitution, but shall exclude the following:

17 (1) Obligations for the payment of current expenses of state
18 government;

19 (2) Indebtedness incurred pursuant to RCW 39.42.080 or 39.42.090;

20 (3) Principal of and interest on bond anticipation notes;

21 (4) Any indebtedness which has been refunded;

22 (5) Financing contracts entered into under chapter 39.94 RCW;

23 (6) Indebtedness authorized or incurred before July 1, 1993,
24 pursuant to statute which requires that the state treasury be
25 reimbursed, in the amount of the principal of and the interest on such
26 indebtedness, from money other than general state revenues or from the
27 special excise tax imposed pursuant to chapter 67.40 RCW;

28 (7) Indebtedness authorized and incurred after July 1, 1993,
29 pursuant to statute that requires that the state treasury be
30 reimbursed, in the amount of the principal of and the interest on such
31 indebtedness, from (a) moneys outside the state treasury, except higher
32 education operating fees, (b) higher education building fees, (c)
33 indirect costs recovered from federal grants and contracts, and (d)
34 fees and charges associated with hospitals operated or managed by
35 institutions of higher education;

36 (8) Any agreement, promissory note, or other instrument entered
37 into by the state finance committee under RCW 39.42.030 in connection
38 with its acquisition of bond insurance, letters of credit, or other
39 credit support instruments for the purpose of guaranteeing the payment

1 or enhancing the marketability, or both, of any state bonds, notes, or
2 other evidence of indebtedness;

3 (9) Indebtedness incurred for the purposes identified in RCW
4 43.99N.020; (~~and~~)

5 (10) Indebtedness incurred for the purposes of the school district
6 bond guaranty established by chapter 39.98 RCW; and

7 (11) Indebtedness incurred for the purposes of providing financial
8 assistance to local governments to undertake critical public works
9 projects pursuant to section 2 of this act.

10 To the extent necessary because of the constitutional or statutory
11 debt limitation, priorities with respect to the issuance or
12 guaranteeing of bonds, notes, or other evidences of indebtedness by the
13 state shall be determined by the state finance committee.

14 **Sec. 8.** RCW 43.84.092 and 2000 2nd sp.s. c 4 s 5 are each amended
15 to read as follows:

16 (1) All earnings of investments of surplus balances in the state
17 treasury shall be deposited to the treasury income account, which
18 account is hereby established in the state treasury.

19 (2) The treasury income account shall be utilized to pay or receive
20 funds associated with federal programs as required by the federal cash
21 management improvement act of 1990. The treasury income account is
22 subject in all respects to chapter 43.88 RCW, but no appropriation is
23 required for refunds or allocations of interest earnings required by
24 the cash management improvement act. Refunds of interest to the
25 federal treasury required under the cash management improvement act
26 fall under RCW 43.88.180 and shall not require appropriation. The
27 office of financial management shall determine the amounts due to or
28 from the federal government pursuant to the cash management improvement
29 act. The office of financial management may direct transfers of funds
30 between accounts as deemed necessary to implement the provisions of the
31 cash management improvement act, and this subsection. Refunds or
32 allocations shall occur prior to the distributions of earnings set
33 forth in subsection (4) of this section.

34 (3) Except for the provisions of RCW 43.84.160, the treasury income
35 account may be utilized for the payment of purchased banking services
36 on behalf of treasury funds including, but not limited to, depository,
37 safekeeping, and disbursement functions for the state treasury and
38 affected state agencies. The treasury income account is subject in all

1 respects to chapter 43.88 RCW, but no appropriation is required for
2 payments to financial institutions. Payments shall occur prior to
3 distribution of earnings set forth in subsection (4) of this section.

4 (4) Monthly, the state treasurer shall distribute the earnings
5 credited to the treasury income account. The state treasurer shall
6 credit the general fund with all the earnings credited to the treasury
7 income account except:

8 (a) The following accounts and funds shall receive their
9 proportionate share of earnings based upon each account's and fund's
10 average daily balance for the period: The capitol building
11 construction account, the Cedar River channel construction and
12 operation account, the Central Washington University capital projects
13 account, the charitable, educational, penal and reformatory
14 institutions account, the common school construction fund, the county
15 criminal justice assistance account, the county sales and use tax
16 equalization account, the data processing building construction
17 account, the deferred compensation administrative account, the deferred
18 compensation principal account, the department of retirement systems
19 expense account, the drinking water assistance account, the Eastern
20 Washington University capital projects account, the education
21 construction fund, the emergency reserve fund, the federal forest
22 revolving account, the health services account, the public health
23 services account, the health system capacity account, the personal
24 health services account, the state higher education construction
25 account, the higher education construction account, the highway
26 infrastructure account, the industrial insurance premium refund
27 account, the judges' retirement account, the judicial retirement
28 administrative account, the judicial retirement principal account, the
29 local leasehold excise tax account, the local real estate excise tax
30 account, the local sales and use tax account, the medical aid account,
31 the mobile home park relocation fund, the multimodal transportation
32 account, the municipal criminal justice assistance account, the
33 municipal sales and use tax equalization account, the natural resources
34 deposit account, the perpetual surveillance and maintenance account,
35 the public employees' retirement system plan 1 account, the public
36 employees' retirement system plan 2 account, the public works bond
37 proceeds account, the Puyallup tribal settlement account, the resource
38 management cost account, the site closure account, the special wildlife
39 account, the state employees' insurance account, the state employees'

1 insurance reserve account, the state investment board expense account,
2 the state investment board commingled trust fund accounts, the
3 supplemental pension account, the teachers' retirement system plan 1
4 account, the teachers' retirement system combined plan 2 and plan 3
5 account, the tobacco prevention and control account, the tobacco
6 settlement account, the transportation infrastructure account, the
7 tuition recovery trust fund, the University of Washington bond
8 retirement fund, the University of Washington building account, the
9 volunteer fire fighters' and reserve officers' relief and pension
10 principal fund, the volunteer fire fighters' and reserve officers'
11 administrative fund, the Washington judicial retirement system account,
12 the Washington law enforcement officers' and fire fighters' system plan
13 1 retirement account, the Washington law enforcement officers' and fire
14 fighters' system plan 2 retirement account, the Washington school
15 employees' retirement system combined plan 2 and 3 account, the
16 Washington state health insurance pool account, the Washington state
17 patrol retirement account, the Washington State University building
18 account, the Washington State University bond retirement fund, the
19 water pollution control revolving fund, and the Western Washington
20 University capital projects account. Earnings derived from investing
21 balances of the agricultural permanent fund, the normal school
22 permanent fund, the permanent common school fund, the scientific
23 permanent fund, and the state university permanent fund shall be
24 allocated to their respective beneficiary accounts. All earnings to be
25 distributed under this subsection (4)(a) shall first be reduced by the
26 allocation to the state treasurer's service fund pursuant to RCW
27 43.08.190.

28 (b) The following accounts and funds shall receive eighty percent
29 of their proportionate share of earnings based upon each account's or
30 fund's average daily balance for the period: The aeronautics account,
31 the aircraft search and rescue account, the county arterial
32 preservation account, the department of licensing services account, the
33 essential rail assistance account, the ferry bond retirement fund, the
34 grade crossing protective fund, the high capacity transportation
35 account, the highway bond retirement fund, the highway safety account,
36 the motor vehicle fund, the motorcycle safety education account, the
37 pilotage account, the public transportation systems account, the Puget
38 Sound capital construction account, the Puget Sound ferry operations
39 account, the recreational vehicle account, the rural arterial trust

1 account, the safety and education account, the special category C
2 account, the state patrol highway account, the transportation equipment
3 fund, the transportation fund, the transportation improvement account,
4 the transportation improvement board bond retirement account, and the
5 urban arterial trust account.

6 (5) In conformance with Article II, section 37 of the state
7 Constitution, no treasury accounts or funds shall be allocated earnings
8 without the specific affirmative directive of this section.

9 **Sec. 9.** RCW 43.84.092 and 2000 2nd sp.s. c 4 s 6 are each amended
10 to read as follows:

11 (1) All earnings of investments of surplus balances in the state
12 treasury shall be deposited to the treasury income account, which
13 account is hereby established in the state treasury.

14 (2) The treasury income account shall be utilized to pay or receive
15 funds associated with federal programs as required by the federal cash
16 management improvement act of 1990. The treasury income account is
17 subject in all respects to chapter 43.88 RCW, but no appropriation is
18 required for refunds or allocations of interest earnings required by
19 the cash management improvement act. Refunds of interest to the
20 federal treasury required under the cash management improvement act
21 fall under RCW 43.88.180 and shall not require appropriation. The
22 office of financial management shall determine the amounts due to or
23 from the federal government pursuant to the cash management improvement
24 act. The office of financial management may direct transfers of funds
25 between accounts as deemed necessary to implement the provisions of the
26 cash management improvement act, and this subsection. Refunds or
27 allocations shall occur prior to the distributions of earnings set
28 forth in subsection (4) of this section.

29 (3) Except for the provisions of RCW 43.84.160, the treasury income
30 account may be utilized for the payment of purchased banking services
31 on behalf of treasury funds including, but not limited to, depository,
32 safekeeping, and disbursement functions for the state treasury and
33 affected state agencies. The treasury income account is subject in all
34 respects to chapter 43.88 RCW, but no appropriation is required for
35 payments to financial institutions. Payments shall occur prior to
36 distribution of earnings set forth in subsection (4) of this section.

37 (4) Monthly, the state treasurer shall distribute the earnings
38 credited to the treasury income account. The state treasurer shall

1 credit the general fund with all the earnings credited to the treasury
2 income account except:

3 (a) The following accounts and funds shall receive their
4 proportionate share of earnings based upon each account's and fund's
5 average daily balance for the period: The capitol building
6 construction account, the Cedar River channel construction and
7 operation account, the Central Washington University capital projects
8 account, the charitable, educational, penal and reformatory
9 institutions account, the common school construction fund, the county
10 criminal justice assistance account, the county sales and use tax
11 equalization account, the data processing building construction
12 account, the deferred compensation administrative account, the deferred
13 compensation principal account, the department of retirement systems
14 expense account, the drinking water assistance account, the Eastern
15 Washington University capital projects account, the education
16 construction fund, the emergency reserve fund, the federal forest
17 revolving account, the health services account, the public health
18 services account, the health system capacity account, the personal
19 health services account, the state higher education construction
20 account, the higher education construction account, the highway
21 infrastructure account, the industrial insurance premium refund
22 account, the judges' retirement account, the judicial retirement
23 administrative account, the judicial retirement principal account, the
24 local leasehold excise tax account, the local real estate excise tax
25 account, the local sales and use tax account, the medical aid account,
26 the mobile home park relocation fund, the multimodal transportation
27 account, the municipal criminal justice assistance account, the
28 municipal sales and use tax equalization account, the natural resources
29 deposit account, the perpetual surveillance and maintenance account,
30 the public employees' retirement system plan 1 account, the public
31 employees' retirement system combined plan 2 and plan 3 account, the
32 public works bond proceeds account, the Puyallup tribal settlement
33 account, the resource management cost account, the site closure
34 account, the special wildlife account, the state employees' insurance
35 account, the state employees' insurance reserve account, the state
36 investment board expense account, the state investment board commingled
37 trust fund accounts, the supplemental pension account, the teachers'
38 retirement system plan 1 account, the teachers' retirement system
39 combined plan 2 and plan 3 account, the tobacco prevention and control

1 account, the tobacco settlement account, the transportation
2 infrastructure account, the tuition recovery trust fund, the University
3 of Washington bond retirement fund, the University of Washington
4 building account, the volunteer fire fighters' and reserve officers'
5 relief and pension principal fund, the volunteer fire fighters' and
6 reserve officers' administrative fund, the Washington judicial
7 retirement system account, the Washington law enforcement officers' and
8 fire fighters' system plan 1 retirement account, the Washington law
9 enforcement officers' and fire fighters' system plan 2 retirement
10 account, the Washington school employees' retirement system combined
11 plan 2 and 3 account, the Washington state health insurance pool
12 account, the Washington state patrol retirement account, the Washington
13 State University building account, the Washington State University bond
14 retirement fund, the water pollution control revolving fund, and the
15 Western Washington University capital projects account. Earnings
16 derived from investing balances of the agricultural permanent fund, the
17 normal school permanent fund, the permanent common school fund, the
18 scientific permanent fund, and the state university permanent fund
19 shall be allocated to their respective beneficiary accounts. All
20 earnings to be distributed under this subsection (4)(a) shall first be
21 reduced by the allocation to the state treasurer's service fund
22 pursuant to RCW 43.08.190.

23 (b) The following accounts and funds shall receive eighty percent
24 of their proportionate share of earnings based upon each account's or
25 fund's average daily balance for the period: The aeronautics account,
26 the aircraft search and rescue account, the county arterial
27 preservation account, the department of licensing services account, the
28 essential rail assistance account, the ferry bond retirement fund, the
29 grade crossing protective fund, the high capacity transportation
30 account, the highway bond retirement fund, the highway safety account,
31 the motor vehicle fund, the motorcycle safety education account, the
32 pilotage account, the public transportation systems account, the Puget
33 Sound capital construction account, the Puget Sound ferry operations
34 account, the recreational vehicle account, the rural arterial trust
35 account, the safety and education account, the special category C
36 account, the state patrol highway account, the transportation equipment
37 fund, the transportation fund, the transportation improvement account,
38 the transportation improvement board bond retirement account, and the
39 urban arterial trust account.

1 (5) In conformance with Article II, section 37 of the state
2 Constitution, no treasury accounts or funds shall be allocated earnings
3 without the specific affirmative directive of this section.

4 NEW SECTION. **Sec. 10.** Sections 1 through 6 of this act constitute
5 a new chapter in Title 43 RCW.

6 NEW SECTION. **Sec. 11.** If any provision of this act or its
7 application to any person or circumstance is held invalid, the
8 remainder of the act or the application of the provision to other
9 persons or circumstances is not affected.

10 NEW SECTION. **Sec. 12.** Section 8 of this act expires March 1,
11 2002.

12 NEW SECTION. **Sec. 13.** Section 9 of this act takes effect March 1,
13 2002.

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